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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 005232

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STATE FOR EUR/WE AND EB

E.O. 12958: DECL: 07/29/2015

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SUBJECT: AMBASSADOR'S CALL ON FINANCE MINISTER BRETON

REF: MERTEN-BALL AND WHITE-ALLEGRONE E-MAIL EXCHANGES

Classified By: Ambassador Craig R. Stapleton for reasons 1.4 (b) and (d).

1. (C) SUMMARY. Finance Minister Breton underlined to Ambassador Stapleton his commitment to press for economic reforms, including tax reform, as a way to stimulate economic growth in France. He emphasized his "great love" for the United States and called himself a great friend of the United States in the heart of the French Government. He promised to work with the Ambassador to keep bilateral economic relations excellent. Breton also signaled his desire to travel to Washington later this year. End Summary.

2. (U) On 27 July, Ambassador Stapleton paid his introductory call on Minister of Finance and Economy, Thierry Breton. Diplomatic Advisor, Sylvain Lambert, accompanied Breton, while Embassy DCM and Econ Counselor accompanied Ambassador Stapleton.

A Friend of the U.S.A.

3. (C) Breton welcomed Ambassador Stapleton to France and said he had an excellent working relationship with his predecessor. Breton noted that he had a "great love" for the U.S. and enjoyed visiting the U.S. regularly. He emphasized his familiarity with the U.S. gained through his stints teaching in New York and running the electronics companies RCA and Thomson. He said that Ambassador Stapleton should always remember that in Breton, the U.S. had a great friend in the heart of the French government. Breton said he looked forward to developing an excellent relationship with the Ambassador and that Ambassador Stapleton should feel free to bring "any issues, no matter what they are" to Breton, "either through formal channels, or personally." Ambassador Stapleton welcomed Breton's warm words and said he looked forward to keeping the generally excellent economic relationship on track.

The Education Minister?

4. (C) Ambassador Stapleton asked Breton what his priorities were as Finance Minister. "Education," Breton said. "Education of the French public...They need to know the facts, and they need to know the truth. The French people are looking for someone to explain the need to reform to them by telling them the truth." He explained that he was an unabashed "liberal" (free-market supporter) in the French sense. Reforms, he said were necessary, particularly tax reform. The ISF (the Wealth Tax on all capital and real property), he said was the most urgent item in need of reform. He called the tax "stupid" and a barrier to increasing investment in France. (N.B. In mid-July, Breton floated a trail balloon calling for the elimination of the ISF; the following day, President Chirac commented that the tax was necessary to maintain "solidarity," but conceded that the tax probably needed to be studied and reformed.)

Reforms and Economic Nationalism

5. (C) Breton noted that he was working to put in place the right "processes" to deal with France's financial problems. While France has a high level of public debt, he explained, that debt need not be a problem on a temporary basis, assuming the "business model" was right. Getting the "business model" right is what this Government is working on now. He added that the time is ripe for action. PM de Villepin was an ally in supporting reforms, Breton said, and was interested in making reforms produce results as quickly as possible.

6. (C) Turning to the recent press hysteria surrounding a rumored PepsiCo takeover of food and drinks producer Danone, Breton said he regretted the public position that "some politicians" felt compelled to take on the issue. He opined that Danone was not a corporate "jewel," but a company like any other. He called to Ambassador Stapleton's attention the public position that he had taken: "France has laws to govern takeovers; the Government's job is to ensure that the laws are followed, no more, no less."

7. (C) Breton told Ambassador Stapleton of his strong desire to increase exchanges between the U.S. and France. He

explained that educational, corporate and cultural exchanges were of tremendous value in a globalizing world. He explained that, despite the reputation to the contrary, younger generations of French people were considerably more well traveled and internationally minded than their parents. Ambassador Stapleton explained that the USG already has a good mechanism for exchanges in place but he would look for ways to enhance those programs with France.

Promise to Be Helpful

18. (C) Before departing, Ambassador Stapleton asked Minister Breton for help in resolving the Berman customs' dispute (refs). He explained that Senator Lugar had been very active on the Berman family's behalf and was convinced that the root of the problem was a misunderstanding between the Bermans and the French Customs agents. He asked if Breton could intervene to resolve the issue once and for all. Ambassador Stapleton passed Breton copies of the letters from Senator Lugar to Minister Cope and to the Embassy. Reading them, Breton shook his head and said that this "should be relatively easy" to resolve. Breton kept the letters and asked Lambert to follow up with Minister Cope's office. He did not say exactly what he would do, but did undertake to seek a resolution to the issue.

19. (C) Breton noted that he would like to make a trip to Washington in the "second half of the year" and said he would welcome any suggestions from Ambassador Stapleton on possible meetings. Ambassador Stapleton promised that the Embassy would be as helpful as possible once Breton gave us a better idea of when he would like to travel.

Comment

10. (C) The U.S. clearly has a good friend in Breton. He clearly feels comfortable with the United States and with Americans. He spoke movingly about his trip with President Chirac to Washington and New York on 16-17 September 2001. He also shows surprising independence in describing himself as a "liberal" when both President Chirac and PM de Villepin continue to talk about preserving the "French model." Despite this temporary stint in serving his country as Finance Minister, he still sees his roots firmly planted in the private sector; a relatively unusual phenomenon in government circles here. Despite his confidence in being able to push through reforms and educating the French people, the one French citizen he will have to educate most intensively will be President Chirac, whose embrace of real reforms has continually proven to be lukewarm at best.

STAPLETON